

# Corporate Quick Start Guide

## SUPPLIER DIVERSITY

### About Supplier Diversity

Supplier diversity is a business strategy that drives the inclusion of diverse-owned businesses in the procurement of goods and services within an organization. Creating a more inclusive supply chain that values diverse-owned businesses is the right thing to do and brings new perspectives, capabilities, and competition.

US Public Law 95-507 amended the Small Business Investment Act to include underrepresented minorities for all government purchases. Corporations across industries are intentionally creating inclusive supply chains to promote economic growth within diverse communities.

### Diverse Suppliers

Supplier diversity classifications are at each company's discretion, and should always be in accordance with local laws. It is a common best practice in the U.S. to recognize diverse suppliers as businesses that are at least 51 percent owned and operated by the following any of the following categories:

- Women
- Persons with disabilities
- Minorities (U.S. or where a minority group is recognized by a country's government), including the following:
  - Asian American
  - African American
  - Hispanic American
  - Native American
- Veterans and military-service-disabled veterans
- Persons who are lesbian, gay, bisexual, or transgender

### Community and Economic Impact

As a responsible corporate citizen, many corporations remain committed to doing the right thing through greater diversity and inclusion from supply chain to workforce to investment. Supplier diversity is not only good for the community, it's good for business.

- Diverse-owned businesses are a major growth sector in small businesses across the U.S. In fact, a 2015 study by Womenable and American Express showed that women-owned businesses created 340,000 new jobs between 2007 and 2015 while male-owned businesses cut 1.2 million jobs.
- Small businesses across the U.S. are on the rise, led by minority-owned small businesses. This includes a growing population of Hispanics, a growing sector of African American entrepreneurs, people with disabilities, and an increasing number of military veterans.
- A study by the Hackett Group found that companies focused on supplier diversity saw a 33 percent return on the cost of operations, resulting in a more cost-effective supply chain than those who did not have a supplier diversity program.
- The U.S. Census Bureau predicts that by 2050, 55 percent of the population will be minorities. This shift in demographics means that our workforces, customers, and business owners will all be more diversified. Inclusion will be a critical component of business in order to create a culture and supply chain that can tap into these resources. Exclusion could mean a reduction in available resources.

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### Supplier Diversity DIY Toolkit

Not all supplier diversity programs are alike and it is essential to tailor your program to meet your specific business needs, company culture, and local regulations. Below are five easy steps based on industry leaders to develop your own supplier diversity program.

- 1. Establish the scope of your diversity program**
  - Determine which diverse groups to include.
  - Determine if the program will measure tier 1 and tier 2 suppliers (definitions below) or additional supply chain layers. Align to best practices and designate diverse businesses as 51% owned and operated by a diverse person.
  - There are myriad certification organizations who validate this level of diversity status and maintain databases for member companies to access.
  - Select which certification organizations or industry groups you will join. These organizations provide match-making opportunities, peer networking, supplier development, databases, and communication platforms.
  - Identify employees responsible to develop and manage the program.
- 2. Create a policy statement:** Institute a policy statement with measurable goals regarding the scope and definition of the program. It is a best practice to garner commitment from senior leadership, typically a CEO, chief diversity officer or chief procurement officer. Define the value that diverse and inclusive sourcing provides your company and the benefits derived from supplier diversity. Consider making this policy public and visible on your company's website.
- 3. Audit your existing supply base for diverse suppliers:** Conduct an assessment of your existing supply base to identify diverse suppliers. Many companies have found that a good place to start is by enlisting a third party to assist in conducting the first analysis. These third parties maintain a list of diverse certifications for many suppliers in the US and internationally and are able to validate diversity status from your existing supplier database.
- 4. Measure diverse supplier inclusion:** Establish a process to measure spending with diverse suppliers and the number of diverse suppliers within your supply chain. These are the most common measurements, but many companies identify other relevant indicators to measure the intended change for greater inclusion.
- 5. Integrate inclusive sourcing processes:** Identify procurement practices which can include diverse suppliers as part of standard operating procedures. As an example, some companies require commodity teams to consider and include diverse suppliers in new requests for proposal (RFP). Additionally, some measure tier 1 non-diverse suppliers based on their tier 2 reporting of spending with diverse suppliers. The fundamental goal is to help ensure there are consistent and equitable opportunities for new diverse suppliers throughout the supply chain. Setting goals for diverse supplier inclusion practices can drive greater participation and timely development of the program.

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### Resources

#### Third party providers

There are numerous third party providers who specialize in supporting diverse supplier identification, status and supply chain composition. These are third parties frequently used within the US who may be able to support this analysis for diverse suppliers in your supply chain. This list is incomplete and is not an endorsement of any service provider.

ConnXus	<a href="https://connxus.com/">https://connxus.com/</a>
CVM	<a href="http://www.cvmsolutions.com/">http://www.cvmsolutions.com/</a>
D&B	<a href="http://www.dnb.com/">http://www.dnb.com/</a>
SagentIntellQ	<a href="http://www.sagentsinteliq.com/">http://www.sagentsinteliq.com/</a>
Supplier Gateway	<a href="http://www.suppliergateway.com/">http://www.suppliergateway.com/</a>

#### Supplier diversity NGOs

Supplier diversity NGOs certify or validate diversity status, maintain databases of certified diverse suppliers and provide opportunities for diverse suppliers and corporate members to support inclusive sourcing. This is a partial list and is not an endorsement.

National Gay & Lesbian Chamber of Commerce	NGLCC	<a href="#">NGLCC</a>
National Minority Supplier Development Council	NMSDC	<a href="#">NMSDC</a>
United States Hispanic Chamber of Commerce	USHCC	<a href="#">USHCC</a>
Women's Business Enterprise National Council	WBENC	<a href="#">WBENC</a>
WEConnect International	WEConnect	<a href="#">WEConnect</a>

#### Content for best practices

Billion Dollar Round Table - <https://www.billiondollarroundtable.org/>

Diversity Info Resources - <http://www.diversityinforesources.com/>

Certify My Company - <http://www.certifymycompany.org/>

### Critical Concepts:

#### Why do we set goals and measure spending?

We set goals because this is the most effective method to measure progress that should reflect greater inclusion and opportunity for diverse suppliers. A company should hold their suppliers accountable to performance standards and never source based on diversity status alone.

#### What is the difference between a tier 1 and tier 2 supplier?

Tier 1 supplier: a company (diverse or not) awarded a contract for work directly from another company

Tier 2 supplier: a company (diverse or not) who is awarded a contract by a tier 1/prime supplier. Asking your tier 1 suppliers to source inclusively via tier 2 diverse suppliers offers non-diverse companies opportunities to participate and amplifies the impact of the diversity program creating greater inclusion

Tier 2 diverse suppliers - direct vs. indirect

- Direct: payments made for subcontracting some or all of a purchase with a diverse supplier that can be traced to a specific PO
- Indirect: payments made for subcontracting that cannot be tracked to specific PO's (landscaping, cafeteria services, benefits etc.)